Recessions, Older Workers, and Longevity: How Long Are Recessions Good For Your Health?

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Issue: Recessions and Health

- Is a recession really good for your health?
  - Ruhm (2000): mortality rates fall during recessions
  - finding seems robust
    - Other Ruhm papers
    - Miller, et al./Stevens, et al. papers
- Are some workers adversely affected?
  - Displaced workers face increases in both short- and long-term mortality during recession
    - Sullivan and von Wachter (2009)
    - Problems of these workers greater than average worker
  - Our question: what about workers approaching retirement?
    - We know short-term effects are similar
    - what about long-term effects?

Are Older Workers Different?

- They may “limp across the finish line” following a recession
  - long durations of unemployment (GAO)
  - increased retirement rates, starting at age 62 (Coile and Levine)

- Potential Direct Mechanisms on Long-term health
  - Extended period with lower employment/income leading up to retirement and later retirement income
  - Lengthy gap in health insurance/health care at time of increasing need

- Potential Indirect Mechanisms
  - Own job stress, spillover from relatives, friends, and colleagues, reduced community resources, etc.

- **Purpose of study: examine impact of recessions on subsequent mortality, focusing on those workers approaching retirement age when recession hits.**

Methods

- Replicate existing results
  - Regress current year mortality on current year unemp. rate by age
  - Also include other Xs, state and year FE, and state-specific linear trends

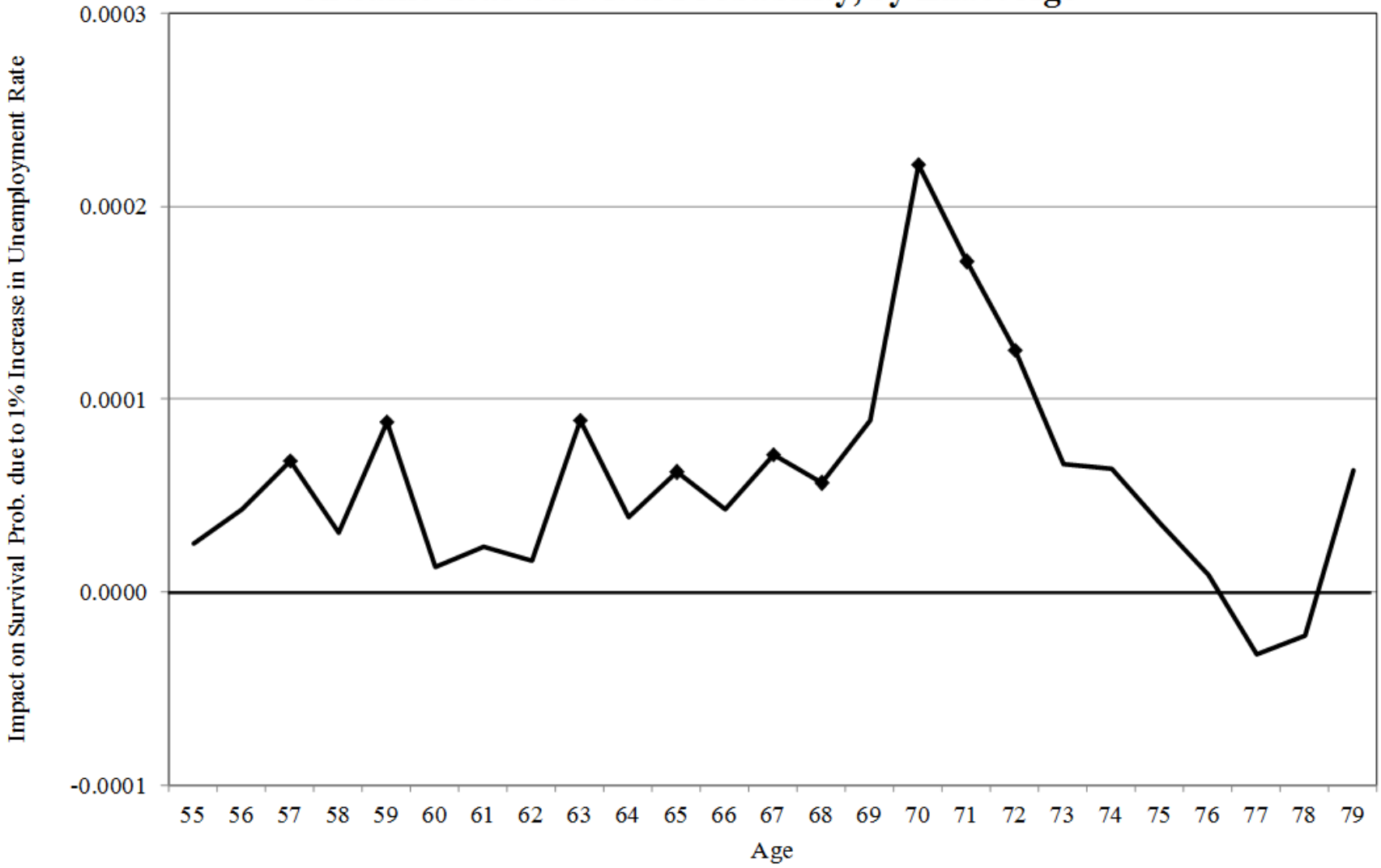
- Our Model for Survival:
  - Goal : extend model to include survival to subsequent ages
  - Key Independent variable = unemp. rate at particular age (say, 58)
  - Dependent variable = survival between that age and subsequent ages (59, 60, 61, … sequentially up to age 79)
  - Specification is similar otherwise

- Other Outcomes
  - New dep. vars. (employment, health ins. coverage, health care utilization)
  - Similar methods: link base year unemp. rate to subsequent outcome

Data

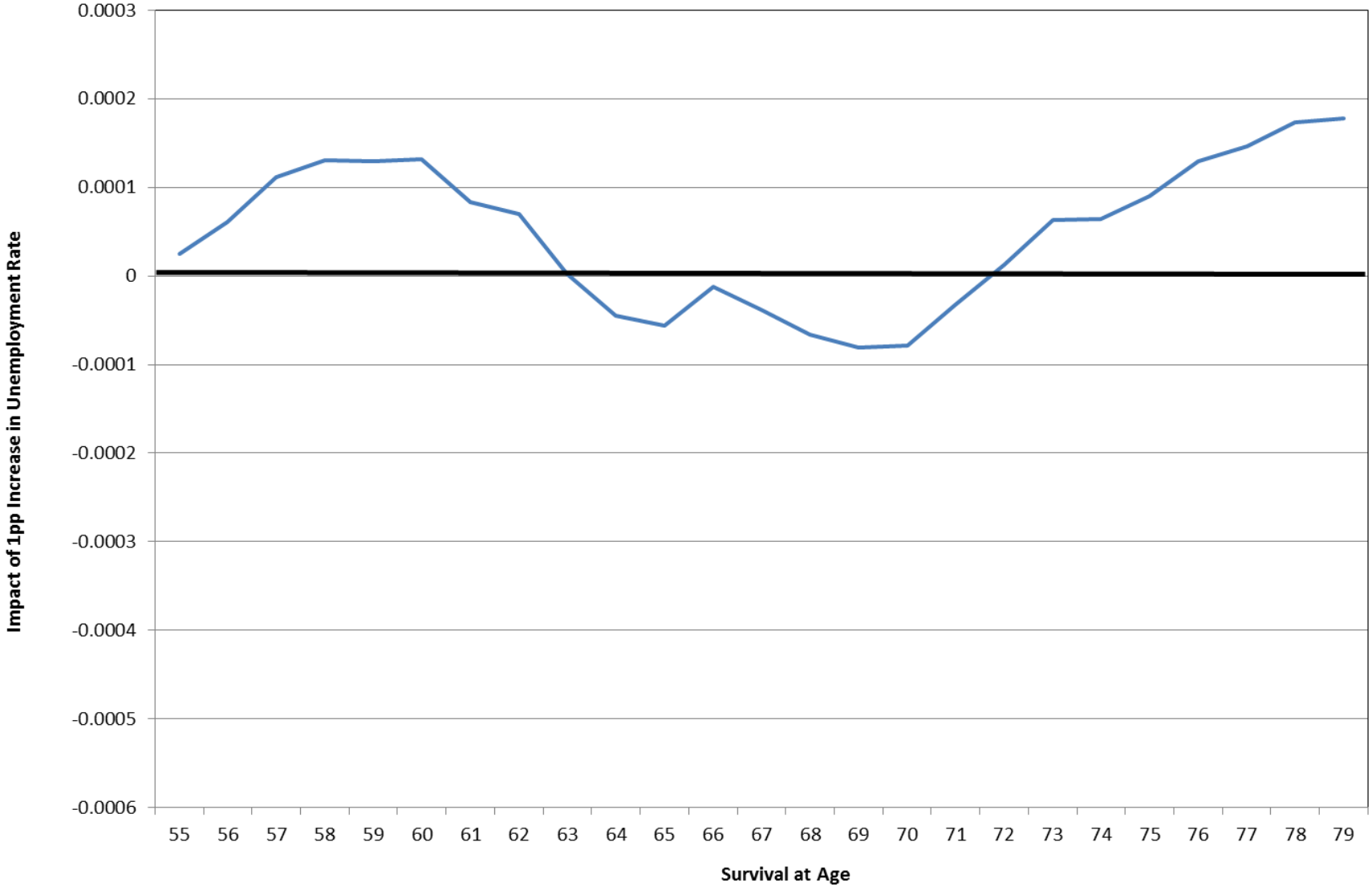
- Mortality Rates
  - Vital Statistics Mortality data
  - SEER population data
- Survival Rates
  - Start at 100 percent survival at beginning of base year
  - Use mortality rates at each age to construct survival rates
  - Full set of survival rates from ages 55 to 78 to each age between starting age and age 79.
- Cohorts used
  - 1910 through 1929 birth cohorts
- Data for Other Outcomes
  - CPS, BRFSS

Figure 2: Impact of Unemployment Rate on Same Year Survival Probability, by Exact Age

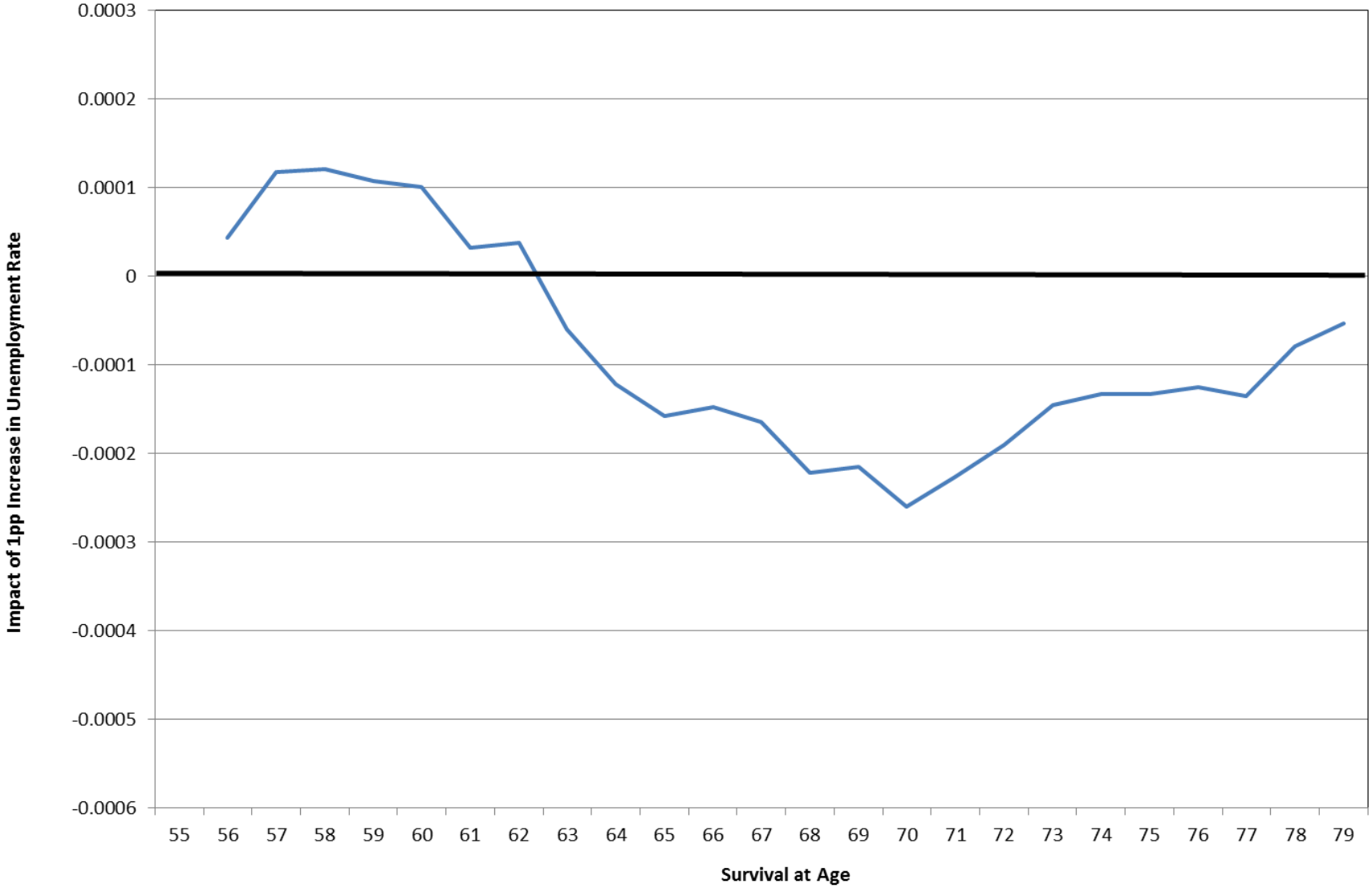


note: diamonds represent statistically significant (at the 5% level) estimates.

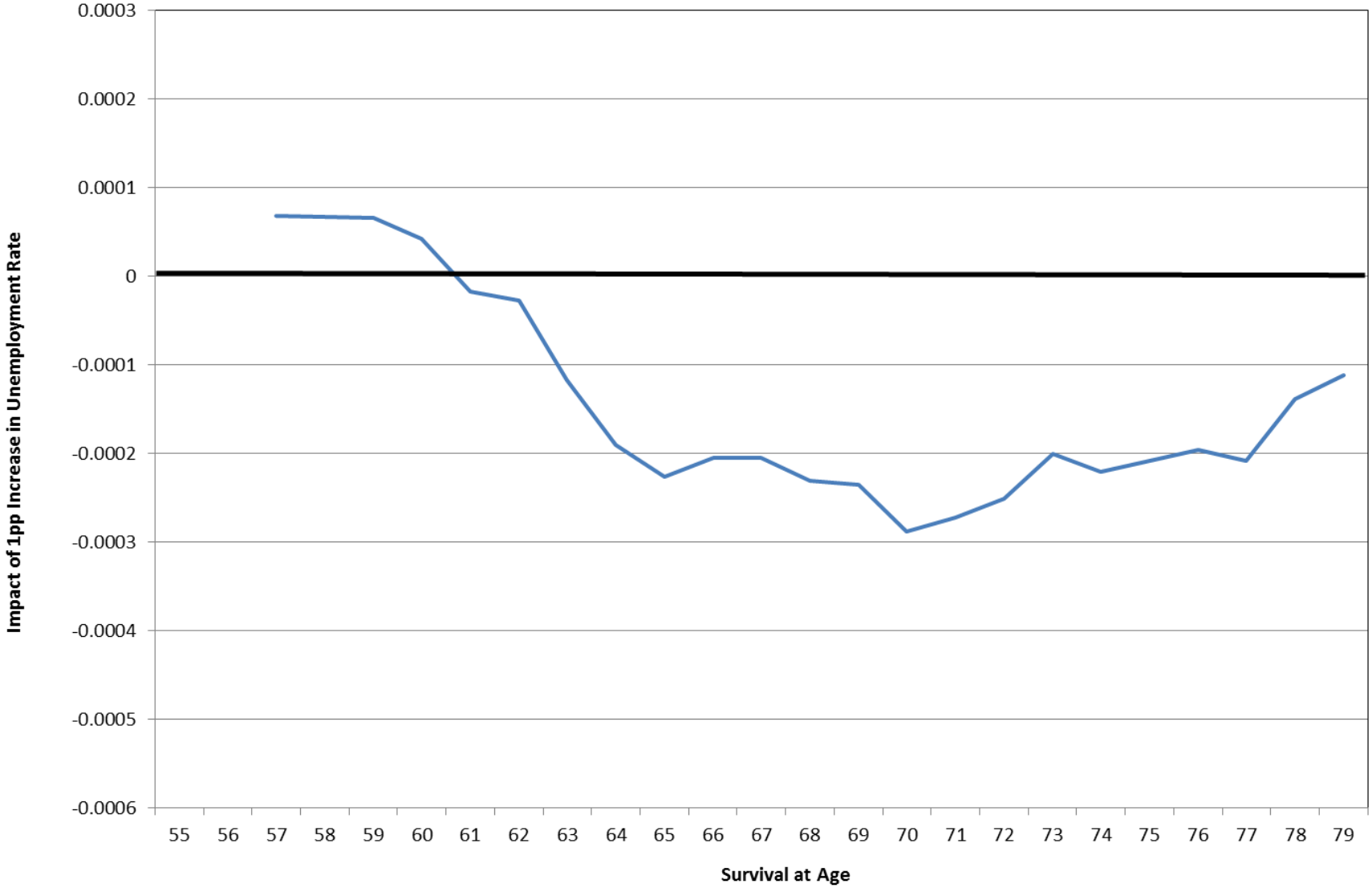
Impact of Unemployment Rate at Age 55 on Subsequent Survival Probabilities



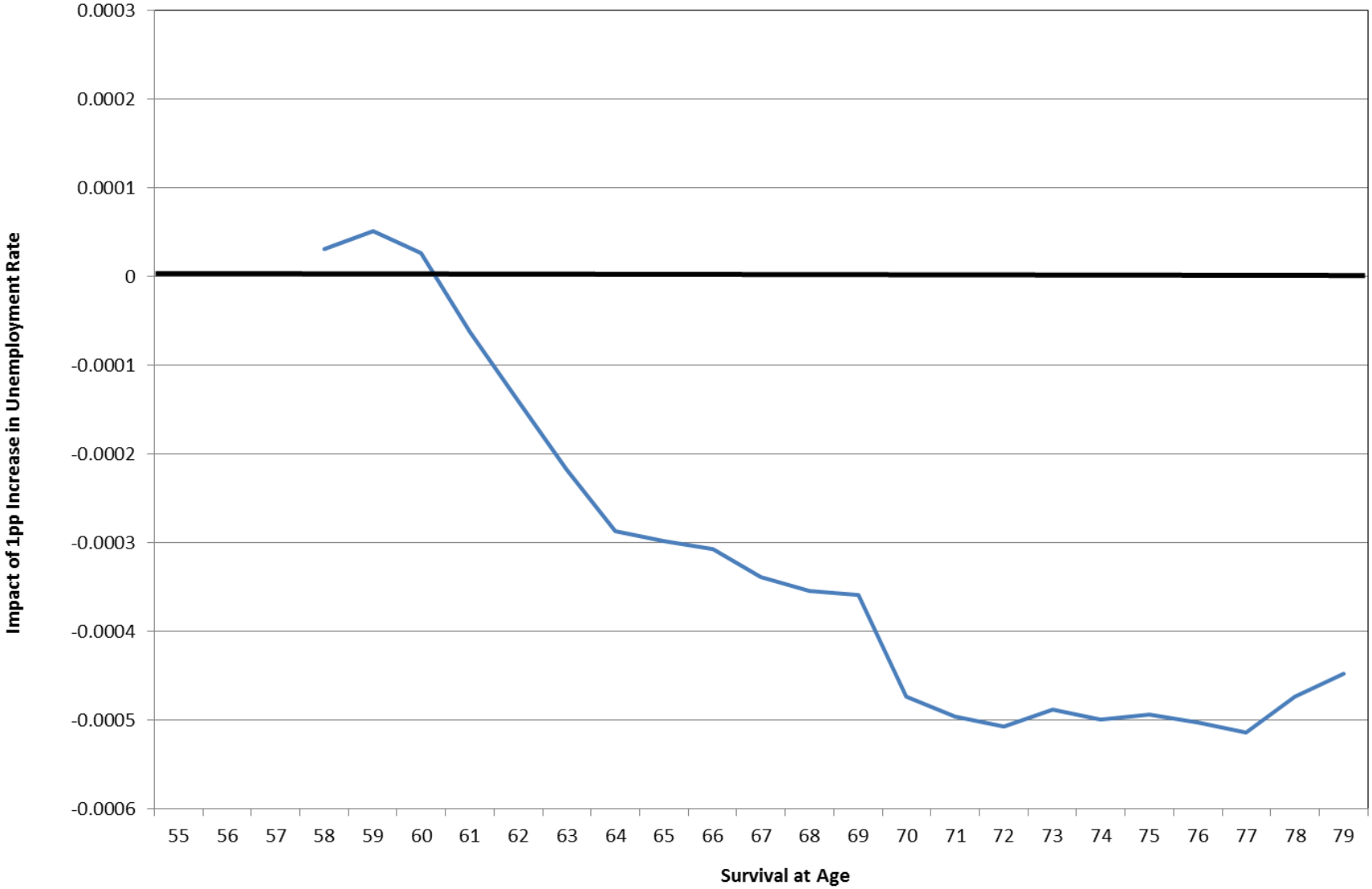
Impact of Unemployment Rate at Age 56 on Subsequent Survival Probabilities



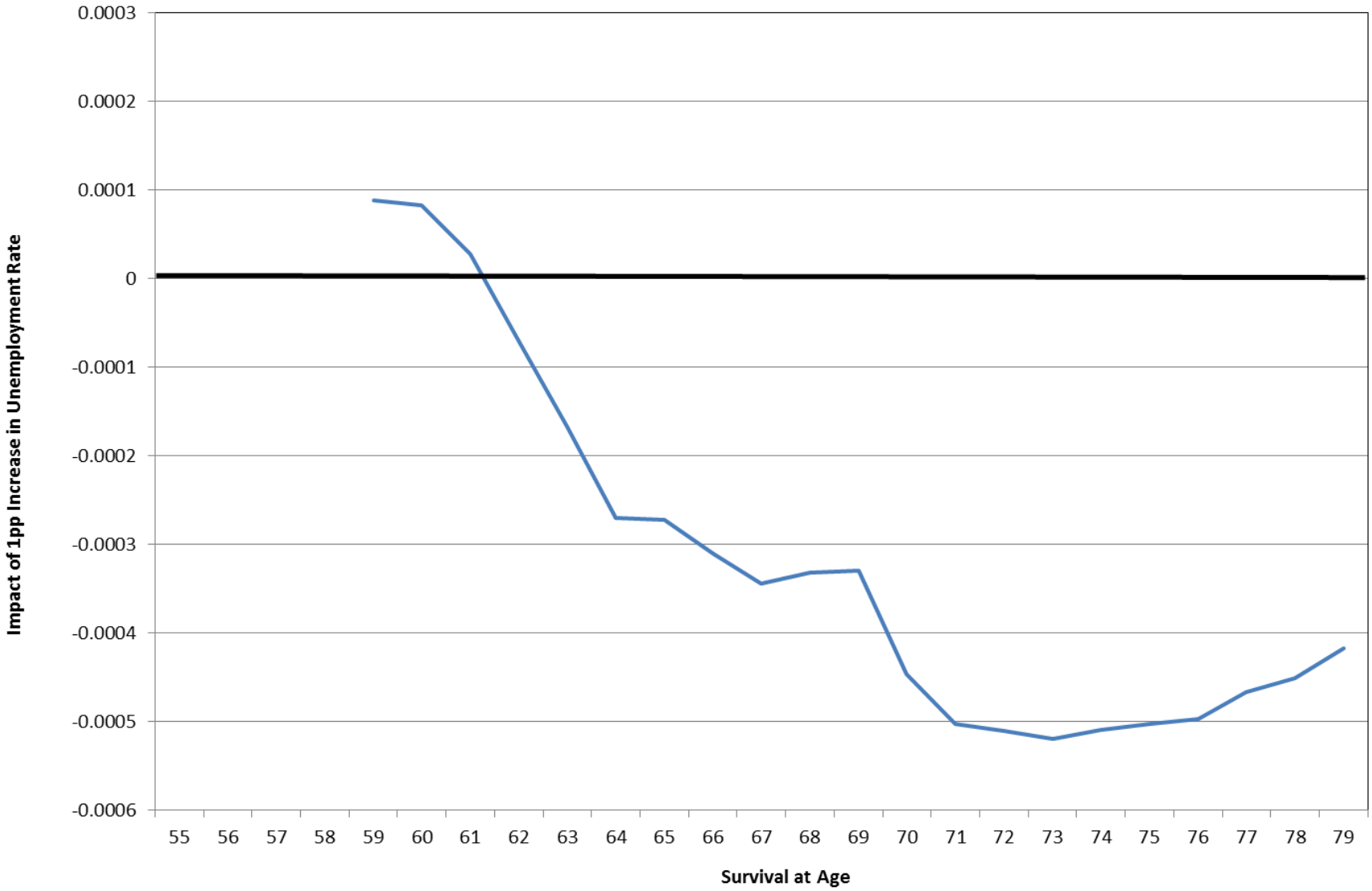
Impact of Unemployment Rate at Age 57 on Subsequent Survival Probabilities



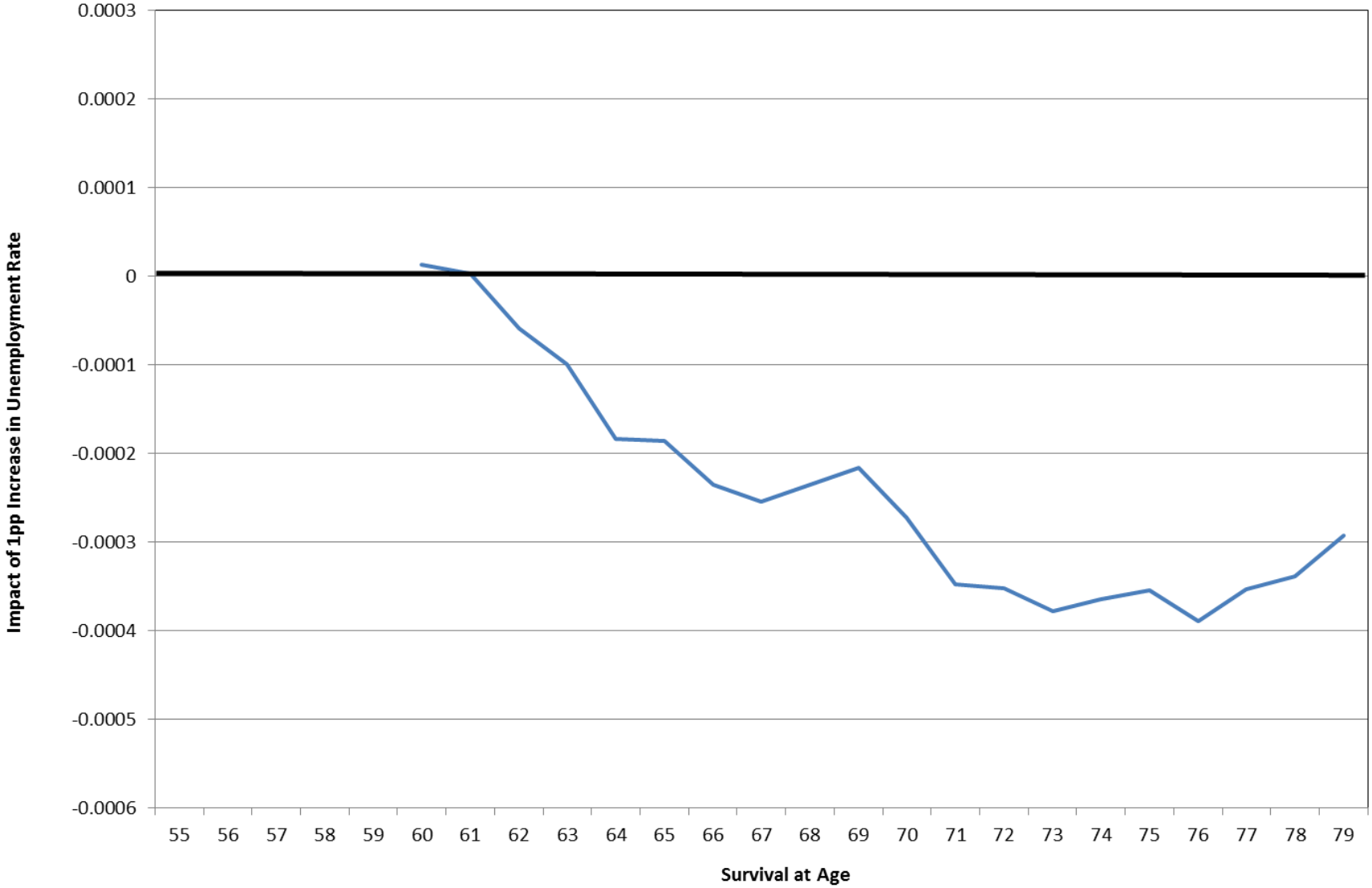
Impact of Unemployment Rate at Age 58 on Subsequent Survival Probabilities



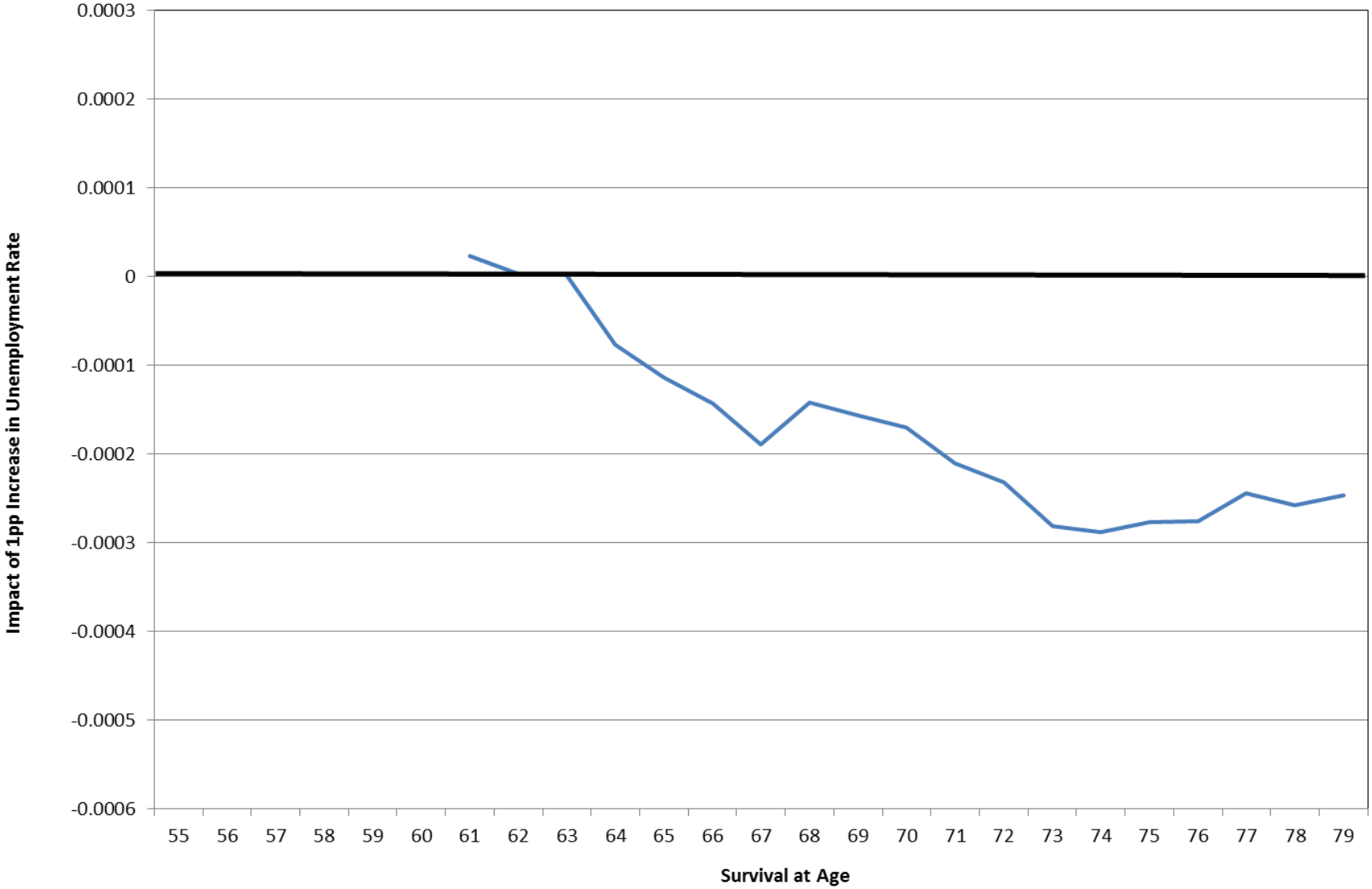
Impact of Unemployment Rate at Age 59 on Subsequent Survival Probabilities



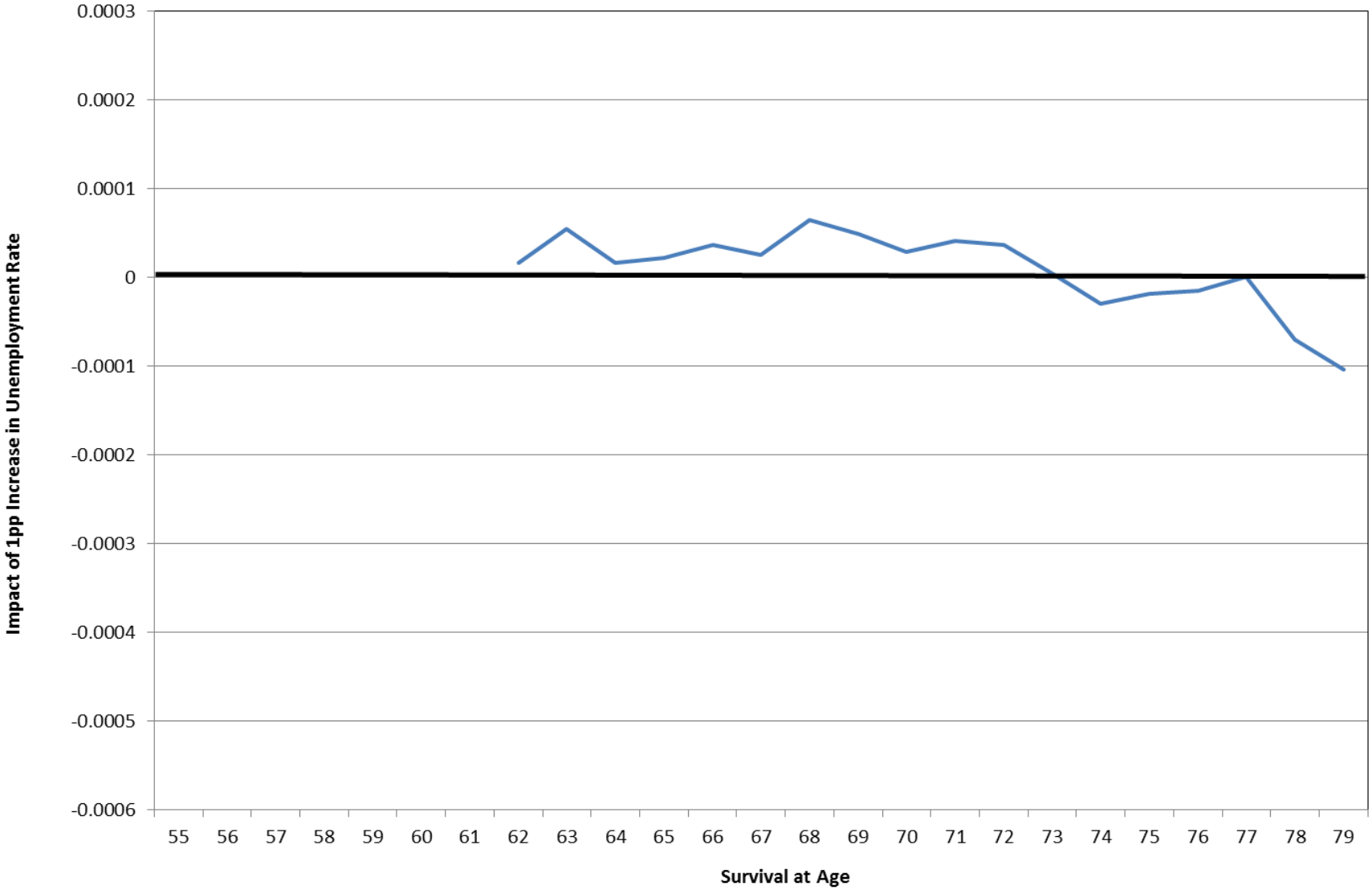
Impact of Unemployment Rate at Age 60 on Subsequent Survival Probabilities



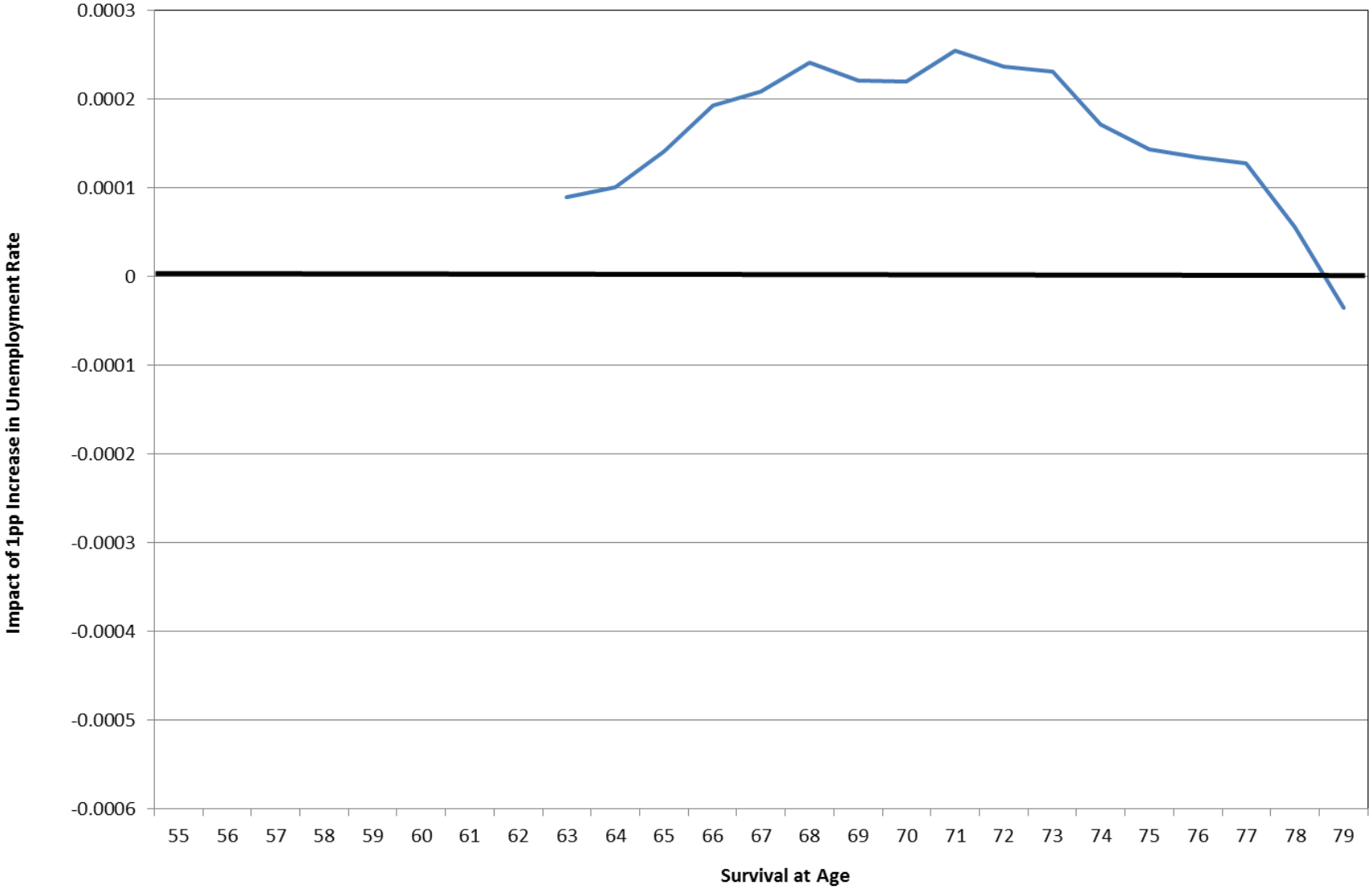
Impact of Unemployment Rate at Age 61 on Subsequent Survival Probabilities



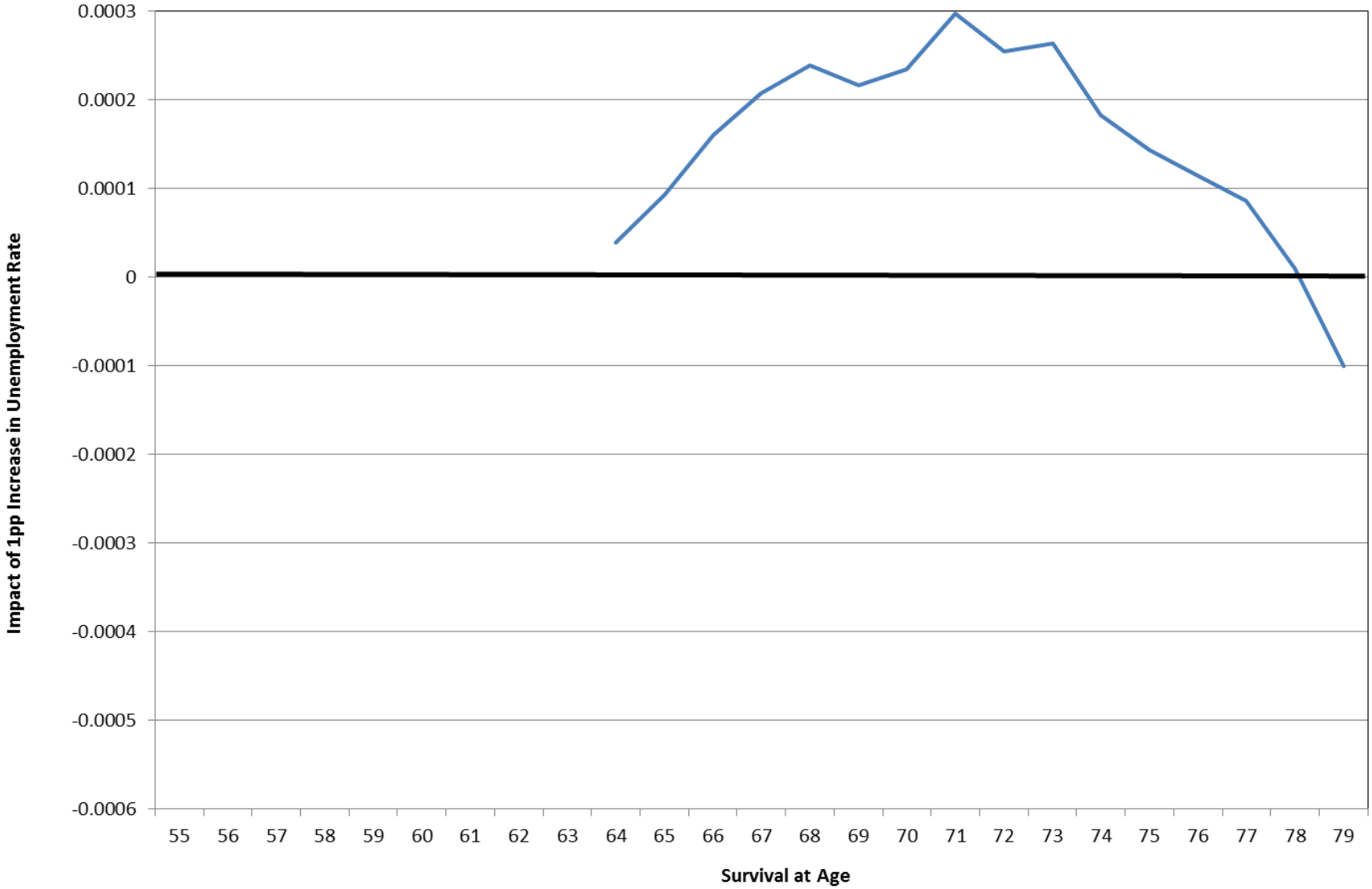
Impact of Unemployment Rate at Age 62 on Subsequent Survival Probabilities



Impact of Unemployment Rate at Age 63 on Subsequent Survival Probabilities



Impact of Unemployment Rate at Age 64 on Subsequent Survival Probabilities



Impact of Unemployment Rate at Age 65 on Subsequent Survival Probabilities

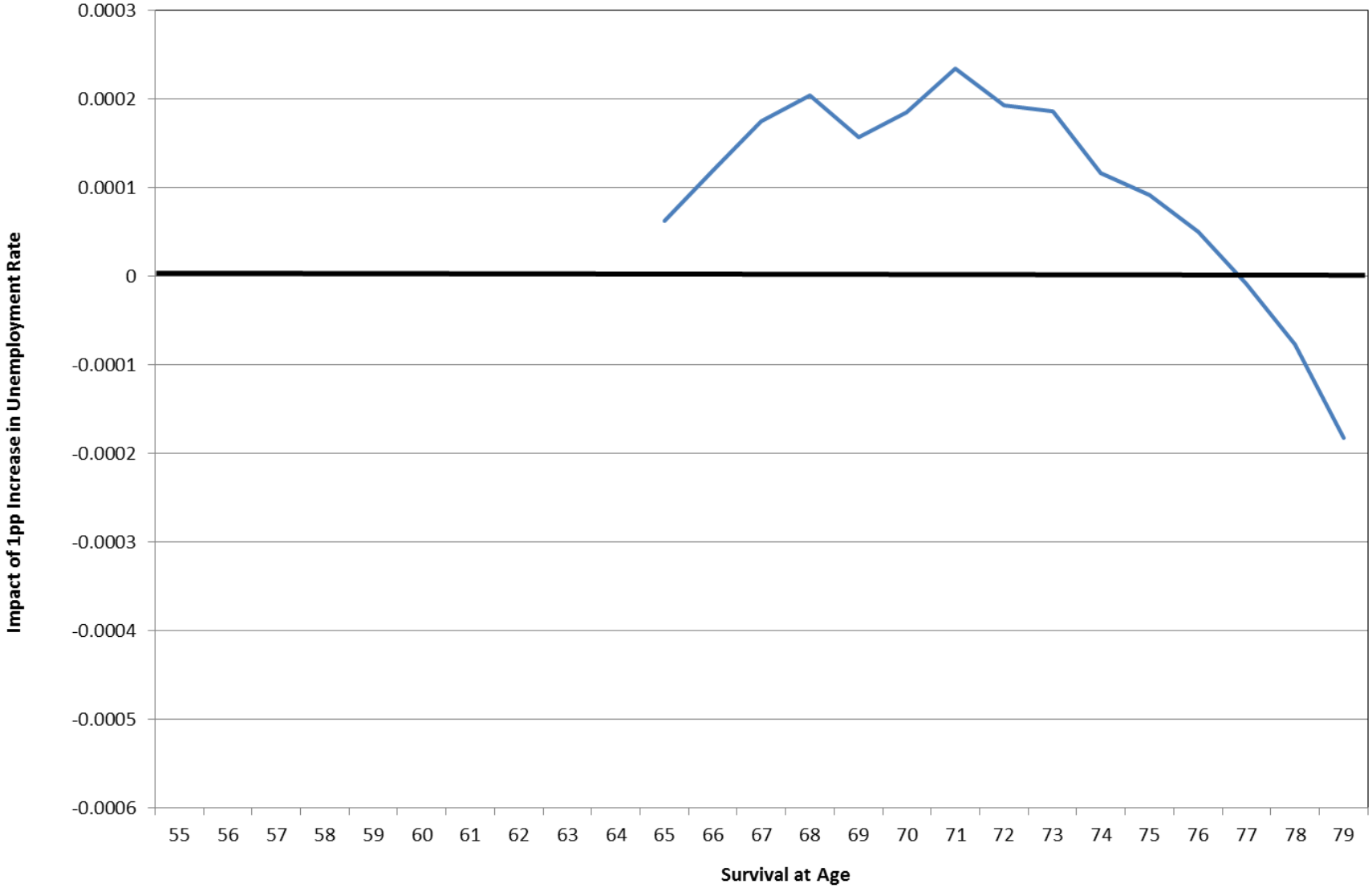
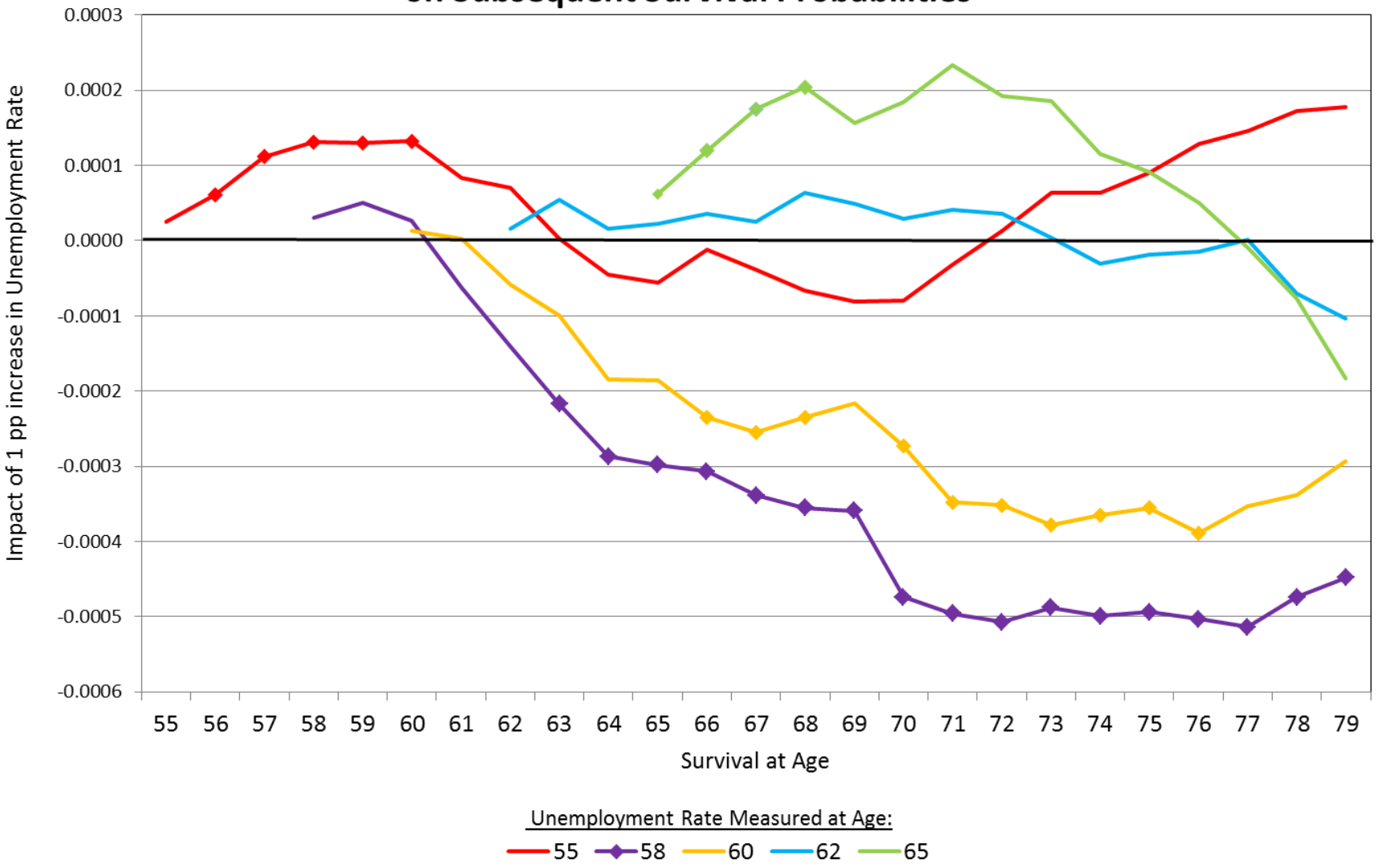


Figure 3: Impact of Unemployment Rate at Various Ages on Subsequent Survival Probabilities



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Summary of Results

- Replicate past findings on short-term impact
- For workers in late 50s through age 61
  - any short-term benefits are reversed
  - Long-term reduction in survival probabilities
- Evidence on potential direct mechanisms
  - Lengthy periods of reduced employment
  - Lengthy spells without insurance coverage
  - More likely to avoid doctor visit due to cost

Magnitude of Estimates

- impact of a one point increase in UR at age 56-58
  - ≈ .5 point reduction in employment through age 64
  - ≈ .25 point reduction in private HI/doctor visit through age 64
    - ≈ Half those who lose jobs also lose health insurance and avoid going to doctor due to cost
  - ≈ .045 point reduction in prob. of surviving from age 58 to age 79
  - if entire effect through job loss (so estimates are upper bounds):
    - ≈ 1 in 10 workers who lost jobs die earlier
    - life expectancy from age 55 for job losers falls by around 3 years

Policy Implications

- Policy Relevant Findings
  - unemployment shocks at or after age 62 have no long-term negative health effects
  - Impact on health insurance coverage and health care use ends at 65
- These ages are not random numbers!
- Findings are strongly suggestive of the beneficial effect of Social Security and Medicare